

M e m o r a n d u m

To: Panel Members Date: January 26, 2007

From: Diana Torres, Manager Analyst: R. Negrete

Subject: One-Step Agreement for **NATIONAL RV, INC.**

CONTRACTOR:

- Training Project Profile: Retraining: Companies W/Out-Of-State Competition
- Legislative Priorities: Stimulating Exports/Imports Moving To A High Performance Workplace, Promotion Of California's Manufacturing Workforce
- Type of Industry: Manufacturing
- Repeat Contractor: No
- Contractor's Full-Time Employees
 - *Worldwide:* 2,000
 - *In California:* 922
- ETP Trainees Represented by Union: No
- Name and Local Number of Union Representing ETP Trainees: N/A

CONTRACT:

- Program Costs: \$749,412
- Substantial Contribution: \$0
- Total ETP Funding: \$749,412
- Total In-kind Contribution: \$752,000
 - *Trainee Wages Paid During Training:* \$716,000
 - *Other Contributions:* \$36,000
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Riverside

INTRODUCTION:

National RV, Inc. (NRV), a subsidiary of National RV Holdings, maintains its corporate headquarters and a manufacturing facility in Perris, California, with additional manufacturing facilities in Oregon and Florida. It has 2,000 worldwide employees, with 922 employees at its Perris facility, the site of the proposed training. NRV manufactures gas and diesel recreational vehicles and maintains service and parts centers in California and Florida.

The company satisfies the Panel's out-of-state competition requirements under Title 22 California Code of Regulations, Section 4416(i). It is a priority industry for the purposes of ETP funding, as it is a North American Industry Classification System (NAICS) manufacturer retraining current employees.

NRV representatives state that it needs to improve production processes to better meet its customer needs and to effectively compete in today's global economy. Therefore, it proposes to retrain 771 of its employees to implement Lean Manufacturing processes at their Perris manufacturing facility.

MEETING ETP GOALS AND OBJECTIVES:

NRV proposes training that will further the following ETP goals and objectives:

- 1) Stimulate exports in industries threatened by out-of-state competition.
- 2) Adapt to a high performance workplace.
- 3) Promote the retention of the State's manufacturing workforce.

TRAINING PLAN TABLE:

Grp/Trainee Type	Types Of Training	No. to Retain	No. Class/Lab Hrs.	No. CBT Hrs.	Average Cost Per Trainee	Hourly Wage After 90 Days
Job Number 1 Retrainees (Priority Industry)	MENU: Business Skills Computer Skills Continuous Improvement Management Skills Manufacturing Skills	771	24 - 140	-0-	\$972	*\$12.38 - \$68.86
Wages After 90-Day Retention						
<u>Occupation</u> Production Workers Sales and Marketing Staff Customer Service Staff Accounting Staff Information Systems Staff Engineering Staff Supervisors, Leads, Foremen Managers						
<u>Health Benefits Used To Meet ETP Minimum Wage:</u> Health benefits of at least \$3.13 per hour may be used for some of the Job 1 retrainees to meet the ETP minimum hourly wage of \$12.38 per hour in Riverside county.					<u>Turnover Rate</u> 18.7%	<u>% Of Mgrs & Supervisors To Be Trained:</u> 6%
<u>Other Employee Benefits:</u> disability insurance, annual vacation, sick leave, holidays, other paid time off						

COMMENTS / ISSUES:

➤ ***Frontline Workers***

Seven hundred and twenty-six trainees (94 percent) of the retrainees in this project meet the Panel definition of frontline workers in accordance with Title 22 CCR, Section 4400(ee). Forty-five (6 percent) are supervisors and managers.

COMMENTS/ISSUES: (continued)

➤ ***Production During Training***

The Company agrees that during ETP-funded training hours, trainees will not produce products or provide services which will ultimately be sold.

RECOMMENDATION:

Staff recommends that the Panel approve this Agreement because it will enable NRV to implement Lean Manufacturing processes at its Perris manufacturing plant, and thereby to adapt to a high performance workplace that will result in the retention of manufacturing jobs in California.

NARRATIVE:

According to company representatives, NRV is under market pressure to produce recreational vehicles with new, enhanced, and innovative features for luxury motor home owners. The vehicles are increasingly complex with options including telescoping rooms, enhanced Global Positioning Systems (GPS) navigational systems, and increased fuel efficiency. In addition, company dealers do not want to carry large inventories, therefore are demanding recreational vehicles as customers order them, thus NRV must reduce their delivery schedules.

NRV management staff conducted an internal audit of manufacturing and management operations to identify areas for improvement. The results of the audit identified areas where improvement was needed: production cycles must be reduced using 5-S solutions; process controls must be implemented, cross-functional problem-solving teams are needed to improve production processes, a new materials resource control system must be fully implemented, and new product lines must be initiated.

NRV will implement Lean Manufacturing processes throughout the company that will create a company culture focused on quality products and excellent customer service. This initiative will enable NRV to adapt to a high performance workplace. Lean Manufacturing processes will require increased skill levels of all company employees. Adapting to a high performance workplace will enable the company to create a highly skilled and flexible workforce that can increase productivity, reduce delivery schedules, address customer quality demands, while reducing cycle times and waste.

Expected outcomes for ETP-funded training are improved productivity and quality through a company-wide implementation of lean manufacturing/continuous improvement processes. NRV employees at the lowest level of the organization will be able to make key decisions to improve production processes. Cross functional teams will be used for setting quality improvement goals that will result in more efficient and cost-effective production processes. ETP-funded training will also establish a foundation for career advancement for company employees.

NARRATIVE: (continued)

NRV management and consultant staff developed a 24 – 140 hour Menu Curriculum that includes business skills, computer skills, continuous improvement, management skills and manufacturing skills training for the proposed 771 retrainees.

Continuous Improvement including team building, team leadership skills and problem solving methodologies will promote team development and production process improvements. Kaizen and 5-S training will provide Lean Manufacturing techniques to improve product quality and production efficiencies. This training will enable management employees to transfer key decisions to the production staff that will shorten and improve the production process.

Business Skills will improve Communication skills currently lacking in production, management, and administrative staff. Customer Service training will assist Customer Service and Parts Representatives in solving customer problems with equipment and service issues. Project and Time Management training will enable administrative and management employees to accomplish more complex projects with a higher degree of effectiveness while meeting critical milestones.

Computer Skills including intermediate/advanced Windows XP applications and information technology systems training that will provide administration, production, and management employees the tools to achieve company productivity goals and to keep employees abreast with the latest developments in office automation technologies. AutoCAD 2007, Ansys, and AutoDesk training will enable engineering staff to design recreational vehicles that meet customer requests. Training in the company's Customer Management Software (Syteline) will allow frontline employees to input and access critical process flow information that affects the product's final delivery as well as reduce the repetitive input of data. Marketing staff will have increased abilities to produce brochures and sales materials. Accounting staff will have the ability to report trends or anomalies in the production process to management.

Management Skills training for managers, supervisors, foremen and leads will provide leadership and coaching and supervisory skills that, along with continuous improvement training, will enable these company employees to lead their subordinate employees effectively in a High performance workplace.

Manufacturing Skills training for frontline employees will support the transition to a high performance workplace by delegating on-the-spot troubleshooting solutions to team members, including enhanced methods of quality control, Kaizen events and 5-S techniques. New cross-functional skills for the operation of equipment and maintenance will avoid unnecessary "down time", while Blueprint Reading will reduce costs and cycle times.

NARRATIVE: (continued)

Commitment to Training

NRV has a goal of standardizing training for all its employees, and has made an on-going commitment to more structured training. Company funded training normally includes 16 - 24 hours a year in new employee orientation, safety, job-specific skills training, and basic computer training for administrative and support staff. Annual company expenditures for employee training total approximately \$122,000, conducted primarily through on-the-job training.

According to NRV representatives, the proposed training is new to the company, has not been provided in the past, and is directly related to the company's implementation of Lean Manufacturing processes. The Company requires ETP funding because it lacks sufficient resources necessary to reach their corporate goals in an increasingly competitive recreational vehicle industry.

At the completion of ETP funded training, NRV is committed to providing ongoing training in computer, business, and manufacturing skills that support the continuous improvement goals and training objectives outlined in this proposal.

SUBCONTRACTORS:

Horizon Training & Development (HT&D) of Fullerton, California, in an amount estimated at \$185,000 to provide a portion of Business Skills, Continuous Improvement, and Management Skills class/lab training.

HT&D, in an amount estimated at \$75,000 to provide the majority of project administration services. The administrative fee shall not exceed 13 percent of ETP payment earned.

THIRD PARTY SERVICES:

HT&D provided assistance in conducting the training needs assessment, the development of the training plan, curriculum, and other application requirements for a flat fee of \$3,000.

NATIONAL RV, INC.
MENU CURRICULUM

Hours
Class/Lab

24 – 140

Trainees will be provided any of the following:

A. BUSINESS SKILLS

Customer Service
Communication Skills
Conflict Management Skills
Negotiation Skills
Project Management
Time Management

B. COMPUTER SKILLS

Adobe Illustrator
Accounting Software (Bill of Materials, Geneva Accounting)
Ansys (Finite Element Analysis)
AutoCAD 2007
Autodesk Inventor
Microsoft Applications: Intermediate/Advanced:
- Word, Excel, Access, PowerPoint, Project
Structured Query Language (SQL)
Visio
Photoshop
SyteLine/FS Plus (Customer Relations Management)

C. CONTINUOUS IMPROVEMENT

5S
Problem Solving
High Performance Work Teams
Kaizen Principles and Implementation
Leadership Skills (Team Member)

NATIONAL RV, INC.
MENU CURRICULUM
(continued)

D. MANAGEMENT SKILLS (Management Skills training shall only be provided to Managers, Supervisors, Foremen, and Leads)

Coaching
Decision Making
Leadership Skills
Motivational Techniques
Supervisory Skills

E. MANUFACTURING SKILLS

Blueprint Reading
Equipment Operation
Preventative Maintenance
Quality Standards
RV Manufacturing Skills
Troubleshooting Equipment

Comment: The parties agree that the training identified in this Curriculum may be revised from time-to-time during the term of this Agreement at the request of the Contractor and with the prior written approval of ETP. (See also Section 12 in this Agreement.)